

# International Business News – August 2004

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## **ISRAEL - U.S. DEPARTMENT OF COMMERCE'S MARKET OF THE MONTH**

The U.S. Commercial Service, the export promotion agency of the U.S. Government, is currently featuring Israel as the "Market of the Month" for on the U.S. Government's Export Portal, <http://www.export.gov/cs>

Israel is the 21st largest export market for U.S. goods and services (two-way trade in 2003 was \$19.6 billion). The United States is Israel's largest single country trading partner, and American exports accounted for 20% of the import market. Israel's commercial relationship with the United States has developed rapidly since the signing of the U.S.-Israel Free Trade Area Agreement (FTAA) in 1985. Since 1995, nearly all tariffs on trade between the two countries have been eliminated. Israel has emerged as one of the world's premier centers for high-tech design and research and development, with particular strength in computer software, telecommunications and biotechnology -- offering many opportunities for U.S. businesses.

### **TIPS FOR THE BUSINESS TRAVELER IN ISRAEL** <http://www.israelmarketing.com/doingbusiness.html>

Israelis are familiar with the fact that most U.S. businesspeople dress formally for meetings. However, this does not mean they will be dressed formally, and especially in the summer months it is very uncommon to wear coat and tie, except for very formal meetings. Business suits are appropriate for meetings with VIPs, some private sector companies, and senior government officials. In general, American business travelers will find business dress in both the private sector and government offices to be much less formal than in the United States. English is widely spoken in the business community and in government offices, but knowing and using a few words in Hebrew, especially introductory phrases and greetings, can be very useful. Most businesses and government offices are open 40-45 hours/week, Sunday thru Thursday. It may be possible to schedule business appointments for Friday morning, but no appointments or business are done on Saturdays. Common office hours are from 8:00 a.m. to 5:00 p.m. Retail outlets are open Sunday through Thursday from 9:00 a.m. to 7:00 p.m. and on Fridays, from 9:00 a.m. to 2:00 p.m. Shops in malls usually remain open until around 10:00 p.m. Banks are open in the mornings, Sunday through Friday and twice a week

in the afternoon. The American Embassy in Tel Aviv is open 8-4:30 Monday-Friday.

Israelis, Americans, Europeans and Asians all view space, time and values from a different place. If we are all to expect the Israeli, or the Japanese or the French to act, to behave in the exact manner - then we will be greatly disappointed! Many businesspeople from the States come to Israel, expecting to do business, as if they were still in New York, California or Texas. The smiles and handshakes look the same, even the suits and ties, but after a few minutes have passed, both sides, which have come together with great respect and mutual admiration - feel something is not right! The Israeli, who is often perceived as being arrogant, aggressive and pushy, is actually being direct and honest. And the American, European and Asian, who are seen by the Israeli as being artificial, phony and weak - are actually displaying politeness and respect. If both sides are to go into a commercial venture without taking the time to understand each other's cultural traits, they are heading for disaster!

Don't be fooled by the modern office furniture, mobile telephones, new shopping malls, the one million McDonald restaurant outlets and the 100 dollar ties. The Israeli is a different animal - and to be successful in business with him you must understand how they see you and where they come from. Israeli society is what is referred to as a relationship-oriented culture. In contrast, British or German culture is rule-oriented. In the relationship oriented Israeli culture feelings and emotions are primary, while intuition and objective facts are secondary! Israeli culture can be viewed as witnessing one large family. In a family, one can dismiss formality and act in a direct, immediate and honest fashion. What can be excused in a "family" as being direct - is often interrupted outside of the family or Israel's borders as being rude or impolite.

For more information on doing business with Israel, see our Israel website: <http://buyUSA.gov/israel>

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**MANDATORY AES BEGINS  
TIME TO REVIEW PRACTICES**  
**From Institute of Management & Administration's  
Report on Managing Exports – August 2004  
By Alan Gaudio**

**Alan Gaudio, consultant for Unz & Co., is a licensed U.S. Customs House broker with 25 years of international trade experience. He has extensive experience in global logistics operations and compliance management systems. Gaudio has been Managing Export's "Ask the Experts" columnist since April 2000**

With mandatory Automated Export System (AES) filing for all exports requiring an SED just around the corner, a review of the basic nuts and bolts of the AES system will be very timely for export departments. This is all the more true since—as of June 8, 2004—an AES commodity redesign went into force, implementing significant changes to the AES commodity module. As of June 8, AES records sent under the old commodity formats will be rejected fatally and could result in costly delays of export shipments. Full information on the redesign is available in the May 2004 AES Newsletter ([www.census.gov/foreign-trade/aesdocument/library/index.html](http://www.census.gov/foreign-trade/aesdocument/library/index.html) under "AES Newsletters"). Finally, the new mandatory AES will include substantial penalties for failure to comply with the law (see below).

**Timetable for Mandatory AES**

At the June conference of the Association of American Exporters & Importers (AAEJ) in New York, Harvey Monk, chief of the foreign trade division of the Census Bureau, provided the following tentative schedule for full mandatory AES advance reporting: September 2004, Notice of Proposed Rulemaking (NPR); November 2004, comment period closes; March 2005, implementation of final rule.

In other words, the issue is not if the paper SED will no longer be acceptable, but only when. The NPR, final rule, and dates for phase-in of enforcement will be published in the Federal Register. The best advice we can give export pros is to immediately begin the transition to electronic filing of this information. Once again, this will apply to all exports that require the filing of SED related data even if they are NLR exports.

As most export and import managers are aware, mandatory AES filing will go into effect in tandem with Customs and Border Protection (CBP)'s new rules for advanced reporting of all exports according to the following schedule: vessel: 24 hours prior to clearance for departure from the U.S. port where it was loaded; air: two hours prior to "wheels up" departure from the United States; rail: two hours prior to arrival at the border; truck: one hour prior to border crossing.

It should be noted that since Oct. 18, 2003, all items on the U.S. Munitions List (USML) and Commerce Control List (CCL), whether or not requiring an export license, have already been subject to mandatory AES filing of SED-related data.

**Four Alternatives for AES Filing**

The first point every export pro must be aware of is that beginning March 2005 or shortly thereafter all information about exports that used to be placed on the Shipper's Export Declaration (form 7525V) must now be submitted electronically to the U.S. Government via AES. The second point export managers must consider is which of the four alternative methods for filing you should use. Your evaluation of alternatives will depend on your volume of export shipments, your internal business enterprise system IT support, and your normal business practices.

1) AESDirect: For small to midsize exporters, an excellent alternative is AESDirect. This is a free Web-based application that permits the filing of SED-related data direct to U.S. Customs/Census. You need only access [www.aesdirect.gov](http://www.aesdirect.gov), read the tutorial, take a quiz to be certain you've understood the information and filing process, receive a user ID and password, and you're ready to go. This database-driven application is easy to use and with its associated free-of-charge download of the AESPCLink sub-application onto your own computer—permits batch filing of SED info without having to complete the entire data entry process while on-line. The entire process is fully secure. Any data stored in AESPCLink remains on your own computer's hard-disk drive. All submitted data is covered under the standard confidentiality provisions of the U.S. Government.

New enhancements to AESDirect include:

- Virtual Private Network (VPN) connection: two-way exchange of data between the company computer and the AESDirect service;
- AESPCLink Server version: since mid-April 2004, this has allowed loading the AESPCLink software onto a company server.

2) File through freight forwarder: A second alternative is to have your foreign freight forwarder file your SED data electronically on your behalf. There may be a fee for this service, and the forwarder will want all the information that you customarily provided when you created a paper SED. As in the past, the forwarder will require from you a limited power of attorney to perform this function. Remember when you used to sign the 7525V form?

3) AES-certified software: A third alternative is commercially available software that is AES-certified. A number of companies provide software that will generate any number of international trade-related documents during one data-entry session (the AES site contains a list of providers and contact information). If an SED was one of the documents selected, then the SED-related data will be transmitted to AES when you command the application to transmit it.

4) Through EDI: Finally, and usually for very large exporters, there is the alternative of direct Electronic Data Interchange (EDI) upload of data to AES. In this instance, data input into and generated by the company's business enterprise system—having been certified by AES will automatically transmit export related data to AES.

## AES Nuts and Bolts

If you choose to employ any of the alternatives other than your freight forwarder filing on your behalf, then there is essential information you must communicate to your forwarders so that they can pass it on to the carrier. That information must take the form of the internal transaction number (ITN) issued to you by AES or an exemption code taken from the Foreign Trade Statistics Regulations (FTSR). The JTN is your confirmation that an electronic filing was submitted and was accepted by AES.

You may also choose to communicate your own external transaction number (XTN). This number consists of your EJN/SSAN/DUNS plus your shipment reference number. Important to note here is that your shipment reference number must be unique for each and every export and cannot be used again for a period of five years.

Alternatively, communicating an exemption legend from the FTSR is your indication that the electronic filing of SED-related information was not required, by regulation, for a particular export shipment. You will find these exemption legends in 15 CFR §30.65 or in FTSR Letter 168 ([www.census.gov/foreign-trade](http://www.census.gov/foreign-trade)).

Carriers must match up cargo to be boarded on their conveyance, by whatever mode, with information provided by the exporter or its agent that appropriate SED-related data has been filed or was, by regulation, not required to be filed. Absent this information, carriers are subject to monetary penalties if cargo is boarded. Therefore, carriers are being extremely vigilant about prior receipt of this information. To avoid delay of your export shipment, ensure that you and/or your agent have provided the required information.

### Post-Departure Filing Option

When the Census final rule is issued, it will contain significant changes governing participation in AES post-departure filing options (currently Option 4). Census has already announced a number of these:

- New letter of intent (LOI) requirements;
- Only USPPs can submit the LOI—not forwarders;
- USPPs will be measured against higher compliance levels;
- A minimum volume of export shipments will be required to qualify for post-departure filing privileges (12 on average per month, with exceptions for high-volume agricultural or seasonal exports; and
- Participants must have filed in AES for six months before applying for post-departure filing status.

### Cost of Noncompliance

Another feature of the new final rule will be stiffer penalties for noncompliance. Census has announced there will be \$10,000 per violation for late or fraudulent filing or five years in jail, or both. Enforcement will be handled by the Bureau of Industry & Security (BIS) Office of Export Enforcement. CBP will also be able to issue penalties.

## TERMINAL HANDLING CHARGES From IOMA's "Ask the Experts" Column August 2004

*This issue's column is by Robert Imbriani, Vice President International, Team Worldwide, Consultants to Unz & Company:*

Question by Daniel Fleder, Hong Kong Office, McKinsey & Company Consultants:

The topic of terminal handling charges (THC) is receiving a lot of attention in China as the PRC wrestles to determine THC's legal status. How has THC developed in North America and Europe—in other words, how do the levels of THC differ, when were they introduced, and what was the reaction in North America and Europe?

Reply by Robert Imbriani:

THC is defined as a charge made to a shipper for moving a container from within a terminal to an ocean vessel. Since THC charges apply to services provided prior to the loading of the vessel, with the exception of EXW (ex works), FCA (free carrier), CPT (carriage paid to), and CIP (carriage insurance paid to) these charges are the obligation of the seller/shipper. This is often misunderstood by the sellers and buyers, particularly in the case of FAS (free alongside ship) and FOB (free onboard transactions). When using FAS and FOB, it may be appropriate for the seller to include the qualification "excluding THC." While THC primarily applies at origin, there can be similar charges at the destination port, sometimes referred to as DDC (destination delivery charges).

The origin of these charges goes back a long way in the history of ocean freight. Since ocean carriers primarily provide the ocean transport and have the direct responsibility for operating the vessels, the terminal or dock services are often provided through contracted service providers, port authorities, or other similar third parties. Carriers therefore view these charges as being outside of the scope of the actual ocean freight charges assessed for the transport of the goods. The level or amount of the THC will vary considerably by country and even, in some cases, by port.

A prime consideration in setting the level of THC is local labor costs and operating costs of the terminal. In the United States, due to contractual agreements with the Longshoreman's Union as well as other port-related operating expenses, THC costs tend to be higher than in other parts of the world.

The primary source for determining the actual charges that apply is the Ocean Carriers' Tariff or, in some areas of the world, specific port tariffs or fee schedules. The governmental rules or regulations in respect to monitoring these charges vary greatly around the world. However, in general they are not set or tightly controlled directly by the governmental agencies. For example, in the United States the FMC (Federal Maritime Commission) monitors the level of THC and requires the charges to be properly filed or shown in the carriers' tariff or terminal operators' fee schedules.

**CANADA BORDER SERVICES AGENCY  
FORM E29B NEW ELECTRONIC FORMAT  
By Crystal Roberts  
07/21/2004**

An electronic version of the Temporary Admission Permit, Form E29B, is available to the public in Adobe Acrobat format on the Canada Border Services Agency website at [www.cba-asfc.gc.ca](http://www.cba-asfc.gc.ca). Foreign exhibitors at trade shows, sellers, sales professionals, after-sales professionals, etc. should be aware of these developments.

The paper version of the E29B form has been altered to recognize the 2004 change from Revenue Canada to the Canada Customs and Revenue Agency (CCRA), along with other cosmetic changes in fields 4, 5 and 6.

Although white in color, the electronic version of the form will be color-coded at the bottom of each five pages to maintain continuity with the paper version.

The electronic version is processed in the same manner as the paper version was previously. Additional information on how to process Form E29B can be accessed through Memorandum D8-1-4, Temporary Admission Permit Form E29B.

The electronic version cannot be modified in any way and must be presented to the inspecting customs officer at the time of importation, in "hard copy" on legal size paper. Forms submitted by electronic mail will not be accepted. Fields that contain customs duties owing or exchange rates must be completed manually.

For further information contact the following:

Trade Incentives and Refunds Unit/Trade Incentives Programs Division  
Trade Policy and Interpretation Directorate/Customs Branch  
10th Floor, Sir Richard Scott Building  
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American companies exporting products to Canada should be aware of the Temporary Admission Permit, Form E29B New Electronic Format.

For more information on the contents of this report, please contact  
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**WEBCAST "DOING BUSINESS IN SOUTH AFRICA"**

You can learn about opportunities in the South Africa market by viewing this latest webcast. To view, go to: [http://www.export.gov/comm\\_svc/](http://www.export.gov/comm_svc/). The feature is located on the right side of the page, after "Popular Market Research." Please Note: You will need the most recent version of RealPlayer to view this webcast.

**PRESIDENT BUSH SIGNS  
U.S.-AUSTRALIA FREE TRADE AGREEMENT  
August 3, 2004**

**Excerpts of Remarks by the President upon Signing  
of U.S.-Australia Free Trade Agreement**

The U.S.-Australia Free Trade Agreement is a milestone in the history of our alliance. It expands our security and political alliance by creating a true economic partnership. It will create jobs and opportunities in both our nations. It will fuel economic growth throughout the Pacific Rim, and it will strengthen our common ties of family and friendship. The total annual two-way trade in American and Australian goods and services stands at \$28 billion. Australia is America's 10th largest export market. Our trade with Australia is important to every American. It is vital to our economy. The U.S.-Australia Free Trade Agreement is recognition of that importance and a commitment by both our nations to work in partnership for common prosperity.

**Best Prospects for U.S. Exports to Australia  
U.S. Department of Commerce  
U.S. Commercial Service, Australia**

- Information Technology Services
- Computers And Peripherals
- Computer Software
- Medical Equipment
- Telecommunications Parts And Equipment
- Travel And Tourism
- Aircraft And Parts
- Telecommunications Services
- Environmental Products And Services
- Automotive Parts And Accessories
- Safety And Security Equipment
- Biotechnology
- Construction Machinery

**List of Recent U.S. Department of Commerce  
Market Research Reports for Australia**

Franchising in Australia - 08/02/2004)  
DIY Hardware Products - 07/26/2004)  
Pulp, Paper and Paperboard - 07/15/2004)  
Surge in bookings experienced for Australian travelers to the U.S. - 07/27/2004)  
Broadband Access for General Practice - 07/19/2004)  
U.S. Pharmaceutical Companies Benefit from Australian Government Grants - 06/09/2004)

If you would like any of the reports shown above, or any information on doing business with Australia, please contact us.

**We hope you've enjoyed this edition of our newsletter. Please note that any mention of non-government sources does not constitute endorsement. If you have any comments or questions, please contact us at:**

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